

[Translation]



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To whom it may concern:

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Announcement Regarding Introduction of Performance-Linked Stock Remuneration Plan

We hereby announce that the Company's Board of Directors has adopted a resolution to introduce a new remuneration plan in the form of performance-linked restricted stock (the "Plan") based on a reevaluation of the officers' remuneration at the Board of Directors' Meeting held today (May 15, 2024). A proposal for the Plan (the "Proposal") will be presented at the 76th Ordinary General meeting of Shareholders (the "Meeting") on June 25, 2024.

Details

1. The purpose of the Plan and other matters

(1) The Purpose of Introducing the Plan

The Plan is intended to be a framework that will provide incentives to Directors (excluding External Directors, the "Eligible Directors") to improve long-term corporate value and to further share that value with our shareholders by clarifying the linkage between the compensation for the Eligible Directors and the Company's performance and stock value.

(2) Condition for Introducing the Plan

As the Plan will grant monetary compensation claims to the Company's Eligible Directors as remuneration etc. in connection with the allotment of our ordinary stock ("Performance-Linked Restricted Stock)," the adoption of the Plan will be subject to the shareholders' approval for the payment of such remuneration etc. at the Meeting. Under the Plan, the Eligible Directors will be awarded the number of shares of the Performance-Linked Restricted Stock in accordance with the degree of achievement to the numerical targets of business performance, etc., set by the Board of Directors during the performance evaluation period for a certain period of time determined by the Company's Board of Directors. The total maximum annual amount of remuneration for the Company's Directors (excluding salaries as employees for Directors who concurrently serve as employees) was approved at 350 million yen at the 57th Meeting held on June 29, 2005. Furthermore, as a separate category of remuneration for the Eligible Directors, the maximum annual amount of monetary compensation claim paid as compensation for restricted stock was approved at 70 million yen at the 73rd Meeting held on June 29, 2021. At the Meeting, apart from that mentioned above, the Company will request shareholders to approve that the Company will award the compensation regarding the Performance-Linked Restricted Stock to the Eligible Directors, and that a maximum amount for monetary

remuneration claims to cover the payment for Performance-Linked Restricted Stock will be 70 million yen a year after comprehensive consideration of various factors including each Eligible Director's degree of contribution to the Company.

2. Outline of the Plan (Calculation method for amount of monetary remuneration, etc.)

(1) Allotment of and Payment for Performance-Linked Restricted Stock

The Company shall designate a certain period of time, determined by the Board of Directors, as the performance evaluation period ("the Targeted Period"). The company will award the monetary compensation claims for the issuance of the stock to the Eligible Directors in accordance with the degree of achievement of the numerical targets such as business performance, etc. set by the Company's Board of Directors during the Targeted Period, and the Eligible Directors shall be allotted the shares of the Performance-Linked Restricted Stock mentioned above [a maximum of 70 million yen] by receiving all monetary compensation claims in the form of an in-kind contribution. Therefore, at the start of the Targeted Period, it has not been determined whether to grant each Eligible Director monetary compensation rights for the issuance of these Performance-Linked Restricted Stock, nor has the amount of such monetary compensation rights if they are provided, or the number of Performance-Linked Restricted Stock to be granted upon provision (hereinafter referred to as the "number of shares to be granted") been confirmed.

In addition, the above monetary remuneration claim shall be granted if the Eligible Director has consented to the above-mentioned in-kind contribution and if the Eligible Director (excluding those who have retired from any of the positions of directors, auditors, and executive officers of the Company's subsidiaries as designated by the Company's Board of Directors due to the expiration of their term of office or other reasons justifiable by the Company's Board of Directors before the payment of the above monetary compensation claims) has entered into a Performance-Linked Restricted Stock allotment agreement containing the details set forth in (6) below. Payment will be made on the condition that the agreement is signed.

The first Targeted Period shall run from April 1, 2024 to March 31, 2025, and thereafter, within the scope approved at the Meeting, the Performance-Linked Restricted Stock may be allotted in the year following the fiscal year ending March 31, 2025 as a new Targeted Period determined by the Board of Directors.

(2) Total Number of Performance-Linked Restricted stock

The total number of Performance-Linked Restricted stock to be allotted to each Eligible Director shall not exceed 28,000 shares per fiscal year.

Notwithstanding the above, if, a stock split (including allotment of stocks without contribution) or consolidation of the Company's common stock or a similar event requiring an adjustment in the total number of Performance-Linked Restricted Stock to be allotted occurs after the date of resolution of the Proposal, the total number of such Performance-Linked Restricted Stock may be adjusted to a reasonable extent.

(3) How to Calculate Issued Shares

The Board of Directors of the Company will determine the performance evaluation indicators necessary for the specific calculation of the number of issued shares, such as numerical targets used in the allotment of Performance-Linked Restricted Stock.

For the specific calculation, the number of issued shares to each Eligible Director shall be calculated using the following formula (note that any fraction less than one share shall be rounded down).

If, by allotting the numbers of Performance-Linked Restricted Stock using the following calculation formula, the total number of Performance-Linked Restricted Stock to be allotted to each Eligible Director exceeds the total number of Performance-Linked Restricted Stock to be allotted to the Eligible Directors or the total amount of monetary compensation claims to be paid to each Eligible Director exceeds the total amount of the monetary compensation claims of the Eligible Directors, adjustments shall be made on a pro rata basis or in any other reasonable manner determined by the Company's Board of Directors.

<How to Calculate the Number of Issued Shares to Each Eligible Director>

Individual Basic remuneration (*1) × Combined performance pay rate (*2) / Stock Price per one Performance-Linked Restricted Stock (*3)

*1 Individual Basic Remuneration = basic monthly remuneration × position coefficient

Individual Basic Remuneration will be decided by the Company's Board of Directors according to the Eligible Director's position, duties and so forth.

*2 The Company's Board of Directors will determine the percentage within the range of 0 to 100%, depending on the achievement rate of numerical targets for performance evaluation indicators for each Targeted Period. In addition, if multiple performance evaluation indicators are used, the total number of shares to be delivered, calculated based on the achievement rate of the numerical targets for each performance evaluation indicator, shall be the number of shares to be delivered to each eligible director.

*3 Based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the day of the Board of Directors' resolution regarding issuance or disposal (if no trade is concluded on the same day, the closing price on the most recent trading day preceding it). The amount will be determined by the Company's Board of Directors to the extent that the amount is not particularly advantageous to allottees who subscribe to Performance-Linked Restricted Stock.

The business performance indicators and performance pay rate for the first Targeted Period will be as follows.

Performance Evaluation Indicator 1		Performance Evaluation Indicator 2	
ROE (7%)	Performance Payment Rate	HD Business Profit (13.0 billion yen)	Performance Payment Rate
Percentage of Achievement 100% or more	50%	Percentage of Achievement 100% or more	50%
Percentage of Achievement less than 100%	0%	Percentage of Achievement less than 100%	0%

*Business profit = Revenue − (Cost of sales + Selling, general and administrative expenses)

(4) Stock Issuance Requirements and Other Matters

The Company will issue the Performance-Linked Restricted Stock to the Eligible Directors by providing monetary compensation claims and having the Eligible Directors make an in-kind contribution when the Targeted Period ends and the following stock issuance requirements are met.

The Performance-Linked Restricted Stock will be delivered by the Company by issuing new shares or disposing of treasury stock.

(i) During the Targeted Period, the Eligible Director has continuously held the position of director, auditor, or executive officer of the Company or its subsidiary as designated by the Company's Board of Directors.

(ii) The Eligible Director has never conducted any unlawful acts determined by the Company's Board of Directors.

(iii) The fulfillment of any other requirements deemed necessary by our Board of Directors. Furthermore, notwithstanding the above (i), if there is a newly appointed Eligible Director during the Targeted Period or if a Eligible Director resigns from any position at the Company or any subsidiary of the Company as designated by the Company's Board of Directors for reasons deemed legitimate by the Company's Board of Directors, including expiration of the term of office, the issuance of Performance-Linked restricted stock may be replaced with the provision of an amount of money equivalent to the value of the number of shares to be issued reasonably determined by our Board of Directors based on the tenure, etc., in conjunction with the amount of monetary compensation rights, within the range of [up to 70 million yen annually].

Additionally, in the event of the death of an Eligible Director [during the Target Period/before the issuance of Performance-Linked Restricted Stock], the issuance of Performance-Linked Restricted Stock may be replaced with

the provision of an amount of money equivalent to the value of the number of shares to be issued reasonably determined by our Board of Directors based on the tenure, etc., in conjunction with the amount of monetary compensation rights, within the range of [up to 70 million yen annually], to be provided to the heirs who succeed the said Eligible Director.

(5) Treatment on Reorganization

Prior to the issuance of Performance-Linked Restricted Stock, proposals regarding a merger agreement in which the Company becomes a dissolving company, a stock exchange agreement in which the Company becomes a wholly owned subsidiary, a stock transfer plan, or other organizational restructuring, etc. are submitted at the Company's general meeting of shareholders (however, in cases where organizational restructuring, etc. does not require approval by the Company's general meeting of shareholders, if it is approved by the Company's Board of Directors, Performance-Linked Restricted Stock will be delivered prior to the effective date of the organizational restructuring, etc. In lieu of this, an amount of money equivalent to the value of the number of shares to be delivered that is reasonably determined by the Company's Board of Directors based on the term of office, etc., together with the amount of monetary compensation claims [within an annual amount of 70 million yen] payments may be made to Eligible Directors.

(6) Details of the Performance-Linked Restricted Stock Allotment Agreement

Upon the allotment of Performance-Linked Restricted Stock, the Performance-Linked Restricted Stock allotment agreement to be executed between the Company and an Eligible Director who is allotted the Performance-Linked Restricted Stock pursuant to a resolution of the Company's Board of Directors shall include the following provisions.

(i) Transfer Restrictions

The Eligible Directors who have been allotted Performance-Linked Restricted Stock will not be allowed to dispose of the Performance-Linked Restricted Stock (the "Allotted Shares") such as transferring to a third party, creating a security interest, collateralization, gift inter vivos, or providing for bequest and so forth ("Transfer Restrictions") during the period from the date of issuance of the Performance-Linked Restricted Stock until the date of retirement from the positions of directors, corporate auditors, or executive officers of the Company or its subsidiaries as designated by the Company and its Board of Directors (the "Transfer Restriction Period").

(ii) Free Acquisition of Performance-Linked Restricted Stock

In the event that an Eligible Director who is allotted the Performance-Linked Restricted Stock retires from any of the positions of director, corporate auditor, or executive officer of the Company or its subsidiaries as designated by the Company and its directors, the Company shall naturally acquire the Allotted Shares free of charge, unless the Company's Board of Directors justifies the reason not to.

(iii) Removal of Transfer Restrictions

Upon expiration of the Transfer Restriction Period, the Company will lift the transfer restriction on all of the Allotted Shares.

(iv) Treatment During Reorganization, etc.

If, during the Transfer Restriction Period, any proposal related to a merger agreement in which the Company will be dissolved, a share exchange agreement in which the Company will become a wholly owned subsidiary, or a share transfer plan and any other reorganization plan is approved at the Meeting (or the Board of Directors of the Company if such reorganization plan does not require the approval of the Meeting), the Transfer Restrictions on all Allotted Shares will be removed prior to the effective date of the reorganization event by the resolution of the Company's Board of Directors.

(Reference)

At and after the conclusion of the Meeting, the Company plans to allot Performance-Linked Restricted Stock similar to the Performance-Linked Restricted Stock described above to the directors of the Company's subsidiaries.

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